VIEWS AND ESTIMATES
OF THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
FOR FY 2007

Overview

With enactment of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA LU) successfully accomplished last year, the Committee's legislative priorities this year will include reauthorizing the Water Resources Development Act, selected provisions of the Clean Water Act, and the Coast Guard.

The Committee is pleased that the President's Budget generally conforms to the program funding levels authorized by SAFETEA LU. However, the Committee is extremely disappointed in the Administration's funding proposal for aviation capital programs. Under the President's Budget, aviation capital programs would receive $5.25 billion, $1.6 billion or 23 percent less than the level guaranteed by the Vision 100 - Century of Aviation Reauthorization Act. This reduction will only serve to accelerate the impending crisis of congestion and delays in our nation's aviation system.

Transportation Investment Leads to Economic Growth

Increased investment in transportation infrastructure has far-reaching effects on our nation's economy, our competitiveness in the world marketplace, and the quality of life in our communities. Each day, every American and every business will benefit from such investment by experiencing shortened travel times, increased productivity, and improved safety.

Throughout our nation's history, economic growth, prosperity, and opportunity have followed investments in the nation's infrastructure. From the "internal improvements" of the early 1800's – canals, locks, and roads – to the Interstate Highway System of today, infrastructure investment has been our foundation for economic growth. For example, between 1980 and 1991, almost one-fifth of the increase in productivity in the U.S. economy was attributable to investment in highways.

Our nation's highways, transit and rail systems, pipelines, airlines, airports, harbors, and waterways not only provide the backbone of our economy by moving people and goods, they also employ millions of workers and generate a significant share of total economic output. In 2004, transportation-related goods and services contributed $1,232 billion, or 10.5 percent, to the total U.S. Gross Domestic Product of $11.7 trillion. Economic growth and vitality are also dependent upon high quality water and wastewater infrastructure systems.

A nation's transportation system directly affects its global competitiveness because final market prices incorporate transportation costs. In 2001, U.S. prices for transportation goods and services were higher than such prices in 15 out of 24 Organization for Economic Cooperation and Development countries. Importantly, the U.S.'s top two overall merchandise trade partners, Canada and Mexico, had lower relative transportation prices in 2001 than the United States. Continued investment in our transportation system is critically important to maintaining our nation's competitiveness in the world marketplace.

In addition to facilitating economic growth and global competitiveness, our transportation system has a direct and significant impact on the daily lives of nearly all Americans. The average person travels 40 miles each day, and transportation expenses represent 18 percent of the average household's total expenditures, more than any other category of expense except housing.

To the average American, higher Federal investment in transportation infrastructure will mean:

- Shorter commutes that save time, fuel, and reduce pollution.
- Better access to work, school, health care, and recreation.
- Lives saved – many of the more than 42,000 highway fatalities each year could be prevented by building better roads and improving the safety features of existing roads.
- Safer systems to accommodate the transport of hazardous materials, estimated at more than 800,000 shipments per day and an annual movement of almost 4 billion tons.
- Fewer delays for the estimated 769 million passengers who will travel by air in fiscal year 2007.
- Facilities to accommodate the over one billion air passengers projected to travel each year beginning in 2015.

Despite the importance of transportation to both our economy and the quality of life in our communities, many of our nation’s transportation infrastructure needs are going unmet. This has resulted in, among other things, an alarming increase in congestion.

Congestion Crisis

Congestion is a major national problem. In February 2004, a highway organization study found that the number of severe highway bottlenecks had increased by 40 percent in the past five years. In 1999, 167 major highway bottlenecks located in 30 states and the District of Columbia were identified. Using the same methodology, the number of bottlenecks grew to a total of 233 in 2004, located in 33 states and the District of Columbia.

According to the Texas Transportation Institute's 2005 Urban Mobility Study, which studies congestion in the nation's 85 largest urban areas, traffic congestion continues to increase. Congestion now occurs during longer portions of the day and delays more travelers and goods than ever before. The severity of congestion has also increased. In 1982, extreme or severe congestion occurred during just 12 percent of peak period travel time. In 2003, extreme or severe congestion occurred during 40 percent of peak period travel.

The extra time needed for rush hour travel has tripled over the last two decades. The average Travel Time Index for the 85 largest urban areas in 2003 was 1.37 (meaning a trip during rush hour took 37 percent longer than the same trip during free-flowing travel conditions). The average in 1982 was only 1.12. Twenty-eight urban areas now have a Travel Time Index above 1.30, compared with only one such area in 1982.

As congestion increases, so does the cost it imposes both on our economy and on motorists. In 2003, traffic congestion cost motorists in the nation's 85 largest urban areas \$63.1 billion in terms of wasted time and fuel, compared to \$61.5 billion in 2002. This equates to an average annual cost per traveler in the 85 urban areas of about \$794 in 2003. The hours of delay and gallons of fuel consumed due to congestion are only the elements that are easiest to estimate. The effect of uncertain or longer delivery times, missed meetings, business relocations and other congestion impacts are not included in this estimate.

Congestion negatively impacts our environment, as well, by increasing emissions and wasting fuel. Vehicles in stop-and-go traffic emit more pollutants – particularly carbon monoxide and volatile organic compounds – than they do when operating without frequent braking and acceleration. In 2003, traffic congestion wasted an estimated 2.3 billion gallons of fuel in these 85 cities alone.

Perhaps most importantly, reducing highway congestion would save lives. If modest improvements were made to improve the traffic flow at the 233 severe bottlenecks identified in the highway organization study discussed above, the number and severity of vehicle crashes would be lessened. Over the 20-year life of the projects, such improvements would prevent more than 449,500 crashes, including some 1,750 fatalities and 220,500 injuries.

The slowing economy and the terrorist attacks of September 11, 2001, temporarily reduced aviation congestion beginning in 2001. However, the number of air travelers has since rebounded, and in 2005 surpassed the previous record-high level experienced in 2000. With the rebound in airline travel, the number of delayed flights has increased. These delays are a warning of things to come. Absent aviation system capacity improvements, delays will increase significantly as airline travel continues to increase. The FAA forecasts that, over the ten-year period from 2007 through 2017, aviation passenger traffic is expected to increase by 39 percent, to over one billion passengers. This growth will place even greater demands on a system that was already delay-plagued at the passenger traffic level experienced in 2000.

According to the Commission on the Future of the U.S. Aerospace Industry, estimates of the cost of aviation delays to the U.S. economy range from $9 billion in 2000 to more than $30 billion annually by 2015. Without improvement, the combined economic cost of delays from 2000-2012 will total an estimated $170 billion.

Infrastructure Investment Needs

To alleviate congestion and reap the economic benefits of an efficient transportation system, our transportation infrastructure needs must be met. These needs are significant:

- $53.6 billion a year for the federal highway and transit programs just to maintain existing highways, bridges, and transit systems at their current conditions, or $74.8 billion a year to improve conditions.
- $14.3 billion a year in airport capital needs, excluding new security costs, which are expected to total roughly $4-5 billion.
- Over $3 billion per year to meet the capital needs of the Federal Aviation Administration, including modernization of the air traffic control system.
- Between $6-7 billion over the next 15 years to restore the rail corridor between Washington, D.C., and New York City to a good state of repair.
- Up to $6.9 billion to upgrade shortline and regional railroads to accommodate heavier rail cars.
- $35 billion over the next ten years to fund cumulative capital improvement needs at the nation's largest public ports.
- $4 billion to finish currently authorized inland waterway construction needs.

The nation's commercial shipping ports, which handle 95 percent of our international trade, face severe access problems on both the waterside and landside. With more than two billion tons of cargo valued at more than $2 trillion moving through our ports and waterways annually, we must ensure adequate infrastructure to meet the growing demands of international trade. Investments of at least $3 billion per year are needed by federal and nonfederal sources to improve ports and keep pace with the growth of commerce.

The nation's inland waterways contain a series of outdated and antiquated locks and dams that, unless rehabilitated or improved, will continue to hinder the movement of coal, grain, and other bulk products. Forty-nine percent of the lock chambers on the system have exceeded their 50-year design lives. With the use of the aging inland waterway system expected to increase, delays are likely to continue to rise.

Immediate construction needs for the inland waterway system are valued at $4 billion, but we are currently investing at a pace that will see us falling further behind these needs. Additional investment of hundreds of millions of dollars will be needed each year for modernization and replacement of the nation's locks and dams to meet the demands on the inland waterway system.

Our wastewater infrastructure also is facing substantial funding needs in order to meet and maintain clean water restoration goals. Communities throughout the United States continue to struggle financially to meet their ever-increasing wastewater treatment infrastructure needs. The Environmental Protection Agency (EPA) has reported that a failure to increase investment in wastewater treatment infrastructure would erode many of the water quality achievements of the past 30 years.

The nation's failure to adequately restore and maintain the integrity of its waters can have devastating effects on the economy. Cities and towns, commercial fishing and shellfish harvesting, tourism, recreation, and many sectors of industry rely on the availability of clean, safe water supplies.

Estimates of the nation's clean water infrastructure needs over the next 20 years exceed $400 billion. The needs are especially urgent for areas trying to remedy the problem of combined sewer overflows and sanitary sewer overflows and for small communities lacking sufficient independent financing ability. Drinking water infrastructure needs are estimated at nearly $500 billion over the next 20 years. Current spending by all levels of government is one-half of the estimated needs. Increased investment by Federal, State, and local governments, as well as by the private sector, will be needed to close the gap between current spending and projected needs.

The federal government is continuing to under-invest in its wide variety of buildings and facilities that house federal employees, the judiciary, and cultural institutions. The General Services Administration (GSA) controlled inventory of existing federal buildings is aging and requires extensive repair and renovation to ensure that federal employees are housed in safe, modern facilities. These GSA-controlled facilities have a functional replacement value of $41 billion, and an estimated backlog exceeding $6.5 billion to repair and modernize existing Federal buildings. The Smithsonian Institution estimates its repair and alteration backlog to be in excess of $2.3 billion. The John F. Kennedy Center for the Performing Arts estimates its repair and alteration backlog at just under $10 million. At the current level of funding, many buildings are having basic repair needs delayed or derailed. Delaying these necessary repairs threatens the missions of the agencies that occupy this space.

<u>Transportation Trust Funds</u>

To help meet some of the infrastructure investment needs discussed above, Congress established a series of trust funds to collect user fees and invest those funds in capital improvements. These funds include the Highway Trust Fund, the Airport and Airway Trust Fund, the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund. One of this Committee's highest priorities is to ensure that the user fees deposited into these trust funds are in fact used for their intended purposes – to rebuild our nation's infrastructure.

Each of these trust funds is self-supporting and invests dedicated user fee revenues in infrastructure programs. With the general exception of the Harbor Maintenance Trust Fund, each of the transportation trust funds also finances long-range construction programs that benefit from certainty in funding.

These trust funds represent a contract between the government and the user. This contract specified that certain user fees would be levied on the users of highways, airports, inland waterways, and ports. In return, the government pledged to use the receipts to build transportation infrastructure for the taxpayer's use.

While recent surface and aviation reauthorization acts have upheld the contract for the Highway and Aviation Trust Funds, balances in the two remaining funds continue to be held hostage to a budget process that fails to recognize the unique nature of these funds. At the end of FY 2007, the Inland Waterways Trust Fund balance is estimated to be $125 million and the Harbor Maintenance Trust Fund balance is estimated to be $3.96 billion. Under the President's Budget request, the Harbor Maintenance Trust Fund balance is rising because the Administration proposes to eliminate the maintenance of many harbors. Although the Administration proposes to spend down some of the surplus in the Inland Waterway Trust Fund, currently authorized waterways construction and harbor maintenance needs are not being met. The Committee supports the continued maintenance of all authorized ports and harbors, and the Harbor Maintenance Trust Fund contains sufficient funds to do so.

Similar to the reforms achieved for the Highway and Aviation Trust Funds, the full receipts and balances of the Inland Waterways and Harbor Maintenance Trust Funds should be made available to serve their intended purpose - meeting our infrastructure needs.

<u>Extension of Spending Caps and Budget Process Reforms</u>

Given the Transportation and Infrastructure Committee's commitment to achieving budget reforms for the transportation trust funds, other budget process legislation, including the extension of the discretionary spending caps, is of significant interest to this Committee. The Transportation and Infrastructure Committee is strongly opposed to any extension of the discretionary spending caps that is done in a manner that would negatively impact the guaranteed funding levels in SAFETEA LU or the Vision 100 - Century of Aviation Reauthorization Act.

<u>Coast Guard Funding Needs</u>

In addition to the infrastructure investment needs discussed above, the Committee continues to be concerned about Coast Guard funding needs. The President requests nearly $8.2 billion in FY 2007 for U.S. Coast Guard activities, which is an increase of approximately $127 million (or 1.58 percent), over the total amount enacted for FY 2006, including FY 2006 supplemental funds and rescissions.

The Coast Guard request is designed to carry out three primary objectives for the Coast Guard in FY 2007:

(1) to strengthen maritime preparedness;
(2) to maximize awareness within the maritime domain; and
(3) to enhance capabilities to deal with current and emerging threats.

The Committee believes it is imperative that the Coast Guard receive the resources necessary to protect America while maintaining the Service's core missions such as search and rescue, fisheries law enforcement, drug interdiction, migrant interdiction, aids to navigation, marine environmental protection, boating safety, and ports, waterways and coastal security.

The President's FY 2007 request includes approximately $934 million for the Deepwater program, the Coast Guard's integrated capital asset replacement program. This request is a $10.7 million increase over the FY 2006 enacted level. While the Committee commends the increase in the Deepwater program, we remain concerned that this level of funding will result in an implementation schedule well over the original 20-year goal. The Committee is committed to accelerating the completion of the Deepwater program by supporting funding at an annual level of at least $1.1 billion.

The Committee supports providing at least $270 million for dedicated port security grants in FY 2007. It also supports the Administration's request of $21.5 million for the Federal Maritime Commission.

<u>Emergency Preparedness</u>

One of the Committee's top priorities will be to address problems made evident by the inadequate response to Hurricane Katrina, including many shortcomings at the federal level, in general, and with the Department of Homeland Security (DHS) and the Federal Emergency Management Agency (FEMA), in particular. It is clear that state and local capacities were inadequate to respond to a catastrophic disaster like Hurricane Katrina. Additionally, the Committee is concerned with the continuing tensions between homeland security grant programs and the all-hazards emergency management approach. The government has been spending approximately $3 billion a year on preparedness and there is little evidence of how this has translated to an enhanced readiness or response in the wake of Katrina.

The Committee is also very concerned about the Administration's proposal to reduce the amount of funding guaranteed to each state for emergency preparedness. To ensure the most effective response to disasters, every state must be able to maintain a minimum level of preparedness.

Conclusion

The detailed views and estimates presented below urge that the Congressional Budget Resolution meet the important needs discussed above, to improve our nation's infrastructure and transportation safety and ensure that vital services, such as those provided by the Coast Guard, are maintained. While the cost of meeting our nation's transportation and infrastructure investment needs may seem high, the cost of not meeting them is greater still.

This report was circulated to all Members of the Committee on Transportation and Infrastructure for their review and comment, and was approved in a Full Committee meeting on February 16, 2006. While the report reflects a bipartisan effort, the Committee wishes to emphasize that not all Members of the Committee necessarily agree with every aspect. Accordingly, the Committee reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

Aviation

Since airline deregulation in 1978, air travel has become an essential form of transportation for much of the nation. The number of commercial air travelers has grown dramatically since then, from 312 million travelers in 1980 to 698 million in 2000.

This unprecedented usage pushed our nation's air traffic control system and over-crowded airports to the brink of gridlock in 2000, when one in every four commercial flights was delayed, cancelled, or diverted. The slowing economy and the terrorist attacks of September 11, 2001, subsequently caused the number of travelers to decline, but this has proven to be a temporary reprieve from aviation system congestion. Passenger traffic has since rebounded strongly, with the 738.6 million passenger enplanements in 2005 surpassing the previous record-high number of travelers in 2000. The FAA's February 2006 aviation forecast predicts continued growth in the future, with the number of air travelers exceeding one billion by 2015.

In addition to the increasing number of air travelers, the proliferation of regional jets and the anticipated influx of Very Light Jets into the national airspace system over the next few years could seriously strain the existing system, resulting in major delays. The current air traffic system was never intended to handle the current level of traffic, much less the tripling of passengers, aircraft operations, and cargo the Department of Transportation predicts will occur by 2025. Absent further improvements in aviation system capacity and efficiency, delays will increase significantly.

FAA Facilities & Equipment

Increased capital investment in our air traffic control system is necessary to increase system capacity and avoid gridlock. These investments are funded by the FAA's Facilities & Equipment (F&E) program.

The President's Budget proposes to cut F&E funding well below the authorized level for the third consecutive year. In 2003, the Administration's FAA reauthorization proposal requested $3.1 billion for F&E in FY 2007. This was consistent with the FAA's National Airspace System Capital Investment Plan (CIP) for FYs 2004-2008, which indicated that the F&E program needed an average annual funding level of $3 billion over the FY 2004-2008 time period. Unfortunately, the President's Budget continues to deviate from this plan, and the authorized funding levels, by requesting just $2.5 billion for F&E in FY 2007.

The result of going from the $3 billion per year F&E program that the Administration requested in 2003 to a $2.5 billion per year F&E program is that, for the past two years (FY 2005 and FY 2006), FAA has had to focus on sustaining current infrastructure and completing ongoing modernization programs, rather than investing in new technologies to enhance the system and provide new capabilities for the future. FAA claims that some of the major F&E programs that required significant F&E investment in previous years are now being deployed and require lower funding levels, allowing FAA to introduce two new major programs, Automatic Dependant Surveillance – Broadcast (ADS-B) and System Wide Information Management (SWIM), which will be components of the Next Generation Air Transportation System (NGATS). Yet despite the introduction of these two new technologies, the Administration's proposed cut to the F&E account will likely result in continued deferred maintenance and repair of aging facilities.

The FAA's air traffic control facilities are aging and deteriorating. For example, the average condition of the FAA's 21 en route centers currently is rated "poor" and is getting worse each year. Overall, the FAA's Air Traffic Organization has more than $30 billion worth of facilities and equipment that are used to operate the air traffic control system. According to the FAA, approximately two-thirds of these assets are already beyond their useful life.

The adverse effect that funding cuts have had on FAA's air traffic control modernization programs has been well documented. During April 2005 testimony before the Aviation Subcommittee, the Department of Transportation's Undersecretary for Transportation Policy cited a study attributing approximately 50 percent of system cost overruns to a lack of predictability, stability, and availability of finances for capital investment.

The interagency Joint Planning and Development Office (JPDO) has initiated a Next Generation Air Transportation System (NGATS) plan that is intended to technologically transform the National Airspace System and triple capacity by the year

2025. The cost of transitioning to the NGATS remains uncertain. However, a December 2005 preliminary analysis of FAA data by the DOT Inspector General's office indicates that the levels in FAA's most recent Capital Investment Plan, which assumes an annual funding level of $2.4-$2.5 billion are not adequate to transform the NAS to meet the growing demand for air traffic services.

The Committee considers the Administration's proposed funding level for the F&E program to be extremely shortsighted. To ensure that our nation's air traffic control system remains safe, reliable, and efficient, and is ready to accommodate the significantly increased number of passengers anticipated in the near future, the Committee recommends the F&E program be funded at least at the $3.11 billion level guaranteed by Vision 100.

Airport Improvement Program (AIP)

Increased investment in our airport infrastructure is also necessary to maintain a safe and efficient aviation system. A comprehensive assessment of airport capital needs was made based on a 2005 survey of U.S. airports conducted by an airport trade association. The survey estimates total airport capital development costs – including the cost of non-AIP-eligible projects – to be about $14.3 billion per year from 2005 through 2009. This compares to the average annual capital funding available to airports (from airport bonds, grants, Passenger Facility Charges, etc.) of about $11.8 billion, resulting in an annual investment gap of about $2.5 billion.

This investment gap does not include the cost of terminal modification projects that are needed to integrate the new explosives detection systems (EDS) into airport baggage systems. In-line installation of EDS will be necessary in the long run for reasons of throughput rate, screener productivity, airport lobby space, and passenger security and convenience. An airport trade association estimates that such terminal modifications will cost a total of about $4 - $5 billion. Through FY 2006, roughly $1.58 billion in Federal funds have been dedicated to these terminal modification costs. The FY 2007 President's Budget for the Transportation Security Administration requests an additional $344 million for EDS installation costs. This leaves a remaining need of at least $2.1 - $3.1 billion over the next several years that must be added to the $2.5 billion annual investment gap discussed above.

Despite these significant, unfunded airport investment needs, the President's Budget proposes just $2.75 billion for AIP in FY 2007, $765 million or 22 percent less than the FY 2006 enacted level, and $950 million or 26 percent below the $3.7 billion level guaranteed by Vision 100. At the $2.75 billion funding level, primary airport entitlement funds would be reduced by 50 percent, the minimum primary entitlement grant would be reduced from $1 million to $650,000, and general aviation airport entitlement funds would be eliminated.

To allow the AIP program to begin to address the investment gap in airport safety and capacity needs, the Committee recommends that AIP be funded at the authorized level of $3.7 billion in FY 2007.

FAA Operations and Maintenance

The Committee also recommends the FAA Operations and Maintenance account be funded at least at the President's request of $8.366 billion. This increased funding is necessary to maintain current operations, as well as hire additional air traffic controllers and aviation safety inspectors.

FAA Reform

The Committee recognizes that greater efforts must be made to ensure that scarce resources are used as effectively as possible. Toward that end, the Committee included in past FAA reauthorization bills several management reforms that were intended to improve the FAA's performance, especially with regard to the acquisition and distribution of air traffic control equipment and services.

The Committee is pleased that in 2004, after almost a decade of Congressional efforts to improve performance and reduce costs, the FAA formally established the performance-based Air Traffic Organization (ATO) to provide air traffic control services. The ATO began operations in March 2004. The Committee intends to continue its oversight of this organization and consider additional reforms as necessary.

Small Community Air Service Development

The weak financial condition of the major airlines has exacerbated a problem that has been a concern since airline deregulation – inadequate service to small communities. The benefits of airline deregulation have been significant, but they have not been evenly distributed. In certain small- and medium-sized communities, the lack of competition among airlines has resulted in significantly higher fares. Other small communities lack air service altogether. The Small Community Air Service Development program addresses these problems by helping underserved communities improve their air service through the use of strategies such as marketing support and revenue guarantees. Demand for this program has far exceeded the funding available. When this program received its initial funding of $20 million in FY 2002, the Department of Transportation (DOT) received 179 applications totaling more than $142.5 million from communities in 47 states. The program continued to receive $20 million in each of FY 2003 through FY 2005, and $10 million in FY 2006. However, the Administration requests no funds for this program in FY 2007. The Committee recommends this program be funded from the General Fund in FY 2007 at the authorized level of $35 million.

Essential Air Service

The financial condition of the airlines, higher fuel costs, and increased regulatory costs have also increased demands on the Essential Air Service (EAS) program. Since September 11, 2001, carriers have notified DOT of their intent to discontinue service to 46 subsidy-eligible EAS communities. This has resulted in a 43 percent increase in the number of EAS communities requiring subsidy, with no corresponding increase in EAS program funding. The EAS program received $110 million for FY 2006. The FY 2007 Budget proposes to cut funding for this program in half, to $50 million. The Committee opposes both this funding cut and the accompanying legislative proposal to impose up to a 50 percent local cost-share requirement.

Under the Administration's EAS proposal, assuming all communities agree to pay their required local cost-share (from 10 – 50 percent, depending on distance from the nearest airport), and service levels remain constant, 61 of the 152 communities currently receiving EAS funding would be dropped from the program. The $50 million funding level proposed by the Administration is clearly insufficient to meet EAS communities' needs. The Committee recommends EAS be funded in FY 2007 at the authorized level of $127 million.

Coast Guard and Maritime Transportation

The President requests $8.2 billion in FY 2007 for U.S. Coast Guard activities, which is a $127 million (or 1.58 percent) increase over the total amount enacted for FY 2006 including FY 2006 supplemental funds and rescissions. However, the President's request includes $30 million for increased fuel costs; $53 million for increased personnel costs; and $50 million to begin design of new headquarters. Therefore, the amount requested for actual Coast Guard operations is less than the amount appropriated for FY 2006. The Coast Guard request is designed to carry out three primary objectives for the Coast Guard in FY 2007:

(1) to strengthen maritime preparedness;
(2) to maximize awareness of the maritime domain; and
(3) to enhance capabilities to deal with current and emerging threats.

The Committee believes it is imperative that the Coast Guard receive the resources needed to protect America's maritime homeland security while maintaining the Service's core missions such as search and rescue, fisheries law enforcement, drug interdiction, migrant interdiction, aids to navigation, marine environmental protection, and boating safety. Therefore, the Committee makes the following recommendations.

Coast Guard Operating Expenses

The overall budget request for Coast Guard Operating Expenses (OE) in FY 2007 is approximately $5.5 billion, an increase of more than $108 million, or two percent, over the FY 2006 enacted level including FY 2006 supplemental funds and rescissions. The FY 2006 level included more than $132 million provided pursuant to the Emergency Hurricane Supplemental (Public Law 109-148). The Operating Expenses account comprises over two-thirds of the Coast Guard's budget and provides for the safety of the public and the Coast Guard's workforce, with an enhanced emphasis on the Service's maritime homeland security mission.

The OE request includes several changes to prior year Coast Guard requests, including no request for funding to support the Coast Guard's polar icebreaking class of vessels. In FY 2006, funding for Coast Guard polar icebreakers was transferred to the National Science Foundation (NSF) which was then directed to reimburse the Coast Guard for costs associating with operating the Service's three polar icebreakers (POLAR SEA, POLAR STAR, and HEALY). This year, the NSF has used a portion of that funding to contract with a Russian-flag icebreaker to provide icebreaking services in Antarctica. That foreign icebreaker has suffered several mechanical malfunctions necessitating the Coast Guard to dispatch the POLAR STAR to clear the channel to allow service vessels to approach the U.S. research facility at McMurdo station.

The Committee is extremely concerned that (1) the Administration has again proposed to divert funds to operate Coast Guard icebreakers from the Coast Guard's budget to that of another Federal agency; (2) the Coast Guard may have to operate and maintain these vessels in the future without any reliable source of funding; (3) the Administration lacks a long-term plan to continue Antarctic icebreaking after 2007; and (4) that the Administration is not committed to the use of U.S. mariners and vessels to conduct Antarctic icebreaking. The Committee strongly recommends that this funding be restored to the Coast Guard budget to maintain seamless operation of the Coast Guard's polar icebreakers.

The Administration has also requested $50.2 million in funding under the OE account to fund the Coast Guard's share of costs to construct and design a new headquarters facility at the St. Elizabeth's campus in Washington, D.C. The Committee is concerned by the Administration's decision to move forward with this project without presenting a plan to Congress that outlines how access will be provided to the proposed facility and a plan for the design of at least one additional Federal agency facility at the St. Elizabeth's campus, as required by section 215 of H.R. 889, the Coast Guard and Maritime Transportation Act of 2005, as passed in the House.

The OE account also includes a request of $8.9 million to operate five additional helicopters for the Coast Guard's new National Capital Region Air Defense mission. The Administration request also proposes a transfer of $5 million from U.S. Customs and Border Protection to support this mission.

Finally, the President's Operating Expenses request funds pay increases for officers and enlisted members and civilian employees of the Coast Guard. The Committee supports these pay increases.

The Committee continues to support additional funding to expand the Coast Guard's capabilities to interdict illegal drugs at sea through the Service's Helicopter Interdiction Squadron (HITRON). Currently, the only Coast Guard HITRON squadron is based in Jacksonville, Florida. The Committee supports providing an additional $39 million for leasing and deploying a squadron of six HITRON helicopters to enhance drug interdiction capabilities in the Eastern Pacific Ocean transit zone. Since the program commenced in November of 2002, HITRON helicopters have stopped every go-fast boat that they have engaged and contributed to 77 maritime drug interdictions and the seizure of approximately 99 metric tons of cocaine alone.

At a minimum, the Committee supports funding of the USCG's Operating Expenses account at $5.57 billion. This recommendation includes $39 million over the budget request for an additional HITRON squadron, and a 2.2 percent increase over the FY 2006 appropriated level to reflect the increased cost due to inflation.

Reserve Training

The President requests approximately $124 million for training of Coast Guard Reserve personnel representing a 5.2 percent increase over the FY 2006 appropriated level of nearly $118 million. The Committee supports funding of at least the President's request.

Environmental Compliance and Restoration

The President requests approximately $11.9 million for environmental compliance and restoration, a 3.3 percent decrease from the FY 2006 appropriated level of $12.3 million. The Committee supports funding of at least the President's request of $11.9 million to provide adequate resources to meet the mandated milestones of major cleanup efforts and other environmental restoration needs.

Coast Guard Capital Funding

The President requests nearly $1.17 billion to fund all Coast Guard capital acquisitions in FY 2007, an approximately $35.3 million (2.9 percent) decrease from the FY 2006 appropriated level of $1.20 billion and an approximately $64.3 million (5.1 percent) decrease from last year's budget request (over $1.27 billion). These funds support the acquisition, construction, and improvement of vessels, aircraft, information management resources, shore facilities, and aids to navigation. Of the $1.17 billion request, $934.4 million, an approximately $10.7 million increase over the enacted funding for FY 2006, is for the Deepwater program, the Coast Guard's integrated capital asset replacement program. The budget requests $39.6 million for Rescue 21, the Service's new "maritime 911" program. In FY 2006, $40.6 million was appropriated for Rescue 21.

The Coast Guard's Integrated Deepwater Systems (Deepwater) program will result in a nearly complete recapitalization of all Coast Guard aircraft, vessels and support systems over a 20-25 year period. Fundamental changes in the mission and requirements of the USCG have occurred since the terrorist attacks of 2001. These changes have required substantive revisions in the timing, budget, system components and acquisition strategy for Deepwater. At the direction of the House and Senate authorizing and appropriations committees, the Coast Guard has provided an updated baseline of the Deepwater program. This update includes a revised budget and timeline for asset acquisition, and shows asset combinations that are equipped with the capabilities necessary to operate in a post-9/11 environment.

The Committee is concerned that the revised implementation schedule, which increased the timeline from the original 20-year goal to 25 years, is too long given the Service's expanded missions and the rapidly increasing expenses of maintaining its legacy assets. The Committee is committed to accelerating the completion of Deepwater, and supports funding in FY 2007 of at least $1.1 billion, an increase of $116 million over the Administration's request.

Also, the Committee recommends $360 million for non-Deepwater capital expenditures in FY 2007. This is the FY 2005 appropriated level, and a $125 million increase over the Administration request. The Committee also continues to support funding for the missionization of the USCG C-130J fleet at least at the level that was requested in the Administration's budget, $4.95 million.

Research, Development, Testing and Evaluation

The President's FY 2006 request proposed to consolidate Coast Guard Research and Development Center funding into the Department of Homeland Security's Science and Technology Directorate (S&T). Under the Administration's plan, all department agencies would compete for funding provided to the S&T. It was estimated that the USCG's Research and Development Center could receive $24 million through the competitions in FY 2006. However, as was consistent with the law, Congress provided $18.1 million <u>directly to the Coast Guard</u> for Research, Development, Test and Evaluation for FY 2006. As was indicated by Congress' actions for FY 2006, the Committee believes this effort to transfer research and development efforts violates Section 888 of the Homeland Security Act of 2002. Section 888 directs that "the authorities, functions, and capabilities of the Coast Guard to perform its missions shall be maintained intact" after the Service is transferred to the Department.

The Administration has proposed to fund the Coast Guard's Research and Development Center and the Service's non-homeland security research projects under the Coast Guard's budget in FY 2007; however the funding for the Coast Guard's homeland security research programs has again been transferred to the Science and Technology Directorate with the Department of Homeland Security. The Committee continues to support full funding of this account under the Coast Guard's direct control and supports providing at least $24 million <u>directly to the USCG</u> for research, development, testing and evaluation for FY 2007.

Alteration of Bridges

No funds were requested for alteration of bridges that impact navigation. Approximately $14.9 million was appropriated in FY 2006. The Committee supports funding of at least the FY 2006 enacted level for this program.

Port Security Grants

The President has again proposed to combine security grant programs for chemical plants and several sectors of the surface transportation system under the Targeted Infrastructure Protection Program. Congress rejected this proposal last year. The Committee again opposes this consolidation in FY 2007, and supports dedicated port security grant funding as authorized under Section 70107 of title 46, United States Code.

Congress provided a total of $390 million for transportation security grants in FY 2006, of which $175 million was provided directly for port security grants. This $175 million was 45 percent of the total amount provided in FY 2006 for transportation security grants. In FY 2007, the Administration proposes a total of $600 million for transportation security grants. Assuming that port security grants continue to receive 45 percent of transportation security grants, the Committee supports providing at least $270 million for port security grants in FY 2007.

Federal Maritime Commission

The President requests approximately $21.5 million for the Federal Maritime Commission, up approximately 5.9 percent from nearly $20.3 million appropriated in FY 2006, including rescissions. The Committee supports the President's request.

Economic Development, Public Buildings, and Emergency Management

Economic Development

The Committee has jurisdiction over five existing economic development programs: the Appalachian Regional Commission (ARC); the Economic Development Administration (EDA); the Denali Commission; the Delta Regional Authority (DRA); and the Northern Great Plains Regional Authority.

The Administration requests an increase in funding for FY 2007 for the Economic Development Administration (EDA). The Economic Development Assistance Program (EDAP) funding for FY 2007 is $297 million, a $47 million increase over the FY 2006 enacted level. Funding increases are coupled with increases in program boundaries through the creation of the Regional Development Account. This new account, proposed in the Administration's budget, intends to allow for an integrated EDA approach to regional economic development. Additionally, funding for salaries and expenses remained level at $29.7 million. The Committee has concerns about changes in the EDAP program and how the dissolution of program boundaries will meet the important economic development needs of the nation.

Regional Economic Development Commissions

Regional commissions have a proven track record of efficiently and fairly meeting the needs of the regions they serve by providing grants for infrastructure and economic development plans. These plans undergo a rigorous and thorough vetting process to ensure that only the best plans receive funding. The Committee remains committed to ensuring the full funding of these programs.

The Committee plans to reauthorize the Appalachian Regional Commission this year. In FY 2006, the authorized funding level was set at $92 million. The Administration's FY 2007 funding request for the ARC is $64.817 million, an amount equal to the enacted level from FY 2006, after the rescission. The Committee supports full funding for this important economic development program, 50 percent of which goes to Appalachian counties that are economically distressed. The Committee reauthorized the Appalachian Development Highway System as a part of SAFETEA LU at $470 million annually, and supports continued funding for this program. The Committee recommends funding the ARC at least at $92 million for FY 2007, equal to the FY 2006 authorized level.

The Administration has requested $2.562 million for the Denali Commission for FY 2007, in addition to $4 million from the Trans Alaska Pipeline Liability Fund. The Committee supports funding the Denali Commission at levels sufficient to allow it to continue with effective sustainability and development programs.

The Administration has requested $5.94 million for the Delta Regional Authority (DRA) for FY 2007, a 50 percent reduction from the FY 2006 enacted level. The request includes $4.339 million for Regional Development and $1.66 million for Salaries and Expenses (S&E). The Committee recommends funding the DRA at $30 million for FY 2007, equal to the authorized level. A failure to fully fund the DRA significantly hampers its ability to meet its mission.

The President's budget did not include any funding for the Northern Great Plains Regional Authority, which will play a vital role in the economic renewal of the Great Plains region. The Committee recommends funding the Authority at $30 million for FY 2007, equal to the authorized level.

Public Buildings

In the area of public buildings, the Committee intends to address a number of issues concerning the Public Buildings Service of the United States General Services

Administration (GSA). These issues include the continued viability of the Federal Buildings Fund, GSA's courthouse construction program including the Courts' ability to pay for space already occupied, the need for increased funds for repairs and alterations, and the use of leased space.

The Federal Buildings Fund (FBF), the primary source of funding for GSA's capital investment program, while receiving consistent funding over the past several years, is merely maintaining its present position with regard to providing funding for construction of new federal buildings and the repair of existing buildings. The FBF is supported by lease payments charged to federal agencies occupying space in GSA facilities. GSA is increasingly relying on the use of leased space because it lacks funds for construction, repair, alteration, and modernization of Federally-owned facilities. Under the President's Budget, this inefficient trend is likely to continue. The Committee recommends that the Administration carefully review the amount of funds made available for the construction, repair and alteration of federally owned facilities as well as reconsider the increased reliance on leased space and how these issues impact the Federal Buildings Fund.

GSA's repair and alteration program in previous years has failed to meet projected demand for the modernization of GSA's aging inventory of federal buildings. The functional replacement value of GSA's 1,534 owned buildings is $41 billion. A significant investment will be necessary to make these buildings modern and efficient places to work. The FY 2007 repair and alteration request is $866 million, $206 million below the enacted amount for FY 2006. The requested amount will fund repairs and alterations at federal buildings and judicial facilities, the majority of which are in the Washington, D.C. metropolitan area. The Committee recommends fully funding the FY 2007 repair and alteration program, which will allow for an increase in the level of renovations being made to federally owned buildings. Doing so will allow GSA to locate more federal employees in government-owned space, which will reduce the amount of office space being leased from the private sector and thereby reduce overall costs.

GSA has requested $690 million for the construction and acquisition of new facilities, 19 percent less than the FY 2006 enacted amount. This request includes funding for two agency consolidations, six new border stations, funds for general infrastructure and development activities, funds for non-prospectus level construction, and no new funding for Federal Judiciary projects. The Committee supports this request and urges the full funding of GSA's construction program.

The Committee will continue to monitor GSA's leasing program. For years the Committee has been concerned about the rising amount of leased space being used to meet the requirements of the civilian branch of the government where Federal facilities are not available. Leasing costs of $4.322 billion now account for 53 percent of the FY 2007 budget, a percentage slightly above previous years. The leasing program is increasing from year to year, largely as a result of the scoring rules implemented pursuant to the Budget Enforcement Act of 1990, which force GSA into short-term, expensive leases, to avoid the budget impact of a capital lease.

Emergency Management

Department of Homeland Security

The failed response to Hurricane Katrina made evident many shortcomings at the federal level, in general, and with the Department of Homeland Security (DHS) and the Federal Emergency Management Agency (FEMA), in particular. The federal response failed due to problems with preparedness, including the implementation of the National Response Plan, key decisions at the DHS and FEMA levels, and requests for DoD assistance. Shortcomings with the professional disaster workforce at DHS and FEMA, training, readiness, operational capabilities, communications, and logistics capacities contributed to these problems. It is clear that state and local capacities were inadequate to respond to a catastrophic disaster like Hurricane Katrina. Additionally, there are continuing tensions between homeland security grant programs and the all-hazards emergency management approach. The government has been spending approximately $3 billion a year on preparedness and there is little evidence of how this has translated to an enhanced readiness or response in the wake of Katrina. It is not clear how this budget addresses these issues. One of the Committee's top priorities will be to address these problems and shortcomings made evident by the inadequate response to Katrina.

Federal Emergency Management Agency

As a part of its FY 2007 budget request, the Administration has requested $5.3 billion for programs managed by FEMA of DHS.

The Administration has requested $233.5 million for Readiness, Mitigation, Response, and Recovery activities. This is $31 million above the FY 2006 revised enacted level. This budget account represents the majority of FEMA's programmatic funding activities, including administration of the Emergency Management Institute, National Disaster Medical System, and Nuclear Incident Response Team Readiness and Exercises. This represents level or slightly increased funding for most of these activities.

The Administration has requested $180 million for its disaster mitigation grant program. This includes $150 million to be awarded pursuant to the Pre-Disaster Mitigation (PDM) program and $31 million for the Flood Mitigation Assistance Program. This request is an increase of approximately $103 million over the FY 2006 enacted level. Effective disaster mitigation spending reduces the costs incurred in managing the consequences of natural disasters.

For disaster relief programs administered by FEMA, the Committee recommends funding sufficient to meet the needs of communities hit by disasters. The Administration requests $1.941 billion for the Disaster Relief Fund and $569,000 for the Disaster Assistance Direct Loan Program. Coupled with funding from recoveries of prior year obligations and unobligated funds carried forward, the appropriation request for the Disaster Relief Fund is consistent with the five-year average of obligations, not including the terrorist attacks of 9/11, the hurricanes that struck Florida during 2004, and Hurricanes Katrina and Rita in 2005. The Committee supports funding of at least the Administration's request and will closely monitor FEMA's ability to recover previous grants to meet the needs of the disaster relief program.

The Administration has requested $199 million for flood map modernization. This request is slightly below the FY 2006 enacted level of $200 million and more than $100 million lower than the authorized level of $300 million. Over the past several years, FEMA has engaged in an aggressive plan to modernize the nation's flood maps, and this decrease in funding could hamper those efforts. The Committee supports fully funding this program at its authorized level to ensure that communities across the country have the most accurate information possible for insurance, planning, and mitigation activities.

Preparedness Directorate

As part of DHS's second stage review, a new Preparedness Directorate was created to consolidate the Department's preparedness functions. Many of the programs formerly managed by FEMA that are in the jurisdiction of the Committee have been transferred to the Preparedness Directorate, had funding cut severely, and have been restricted to purposes not originally intended at their creation. The Committee is disappointed with these funding cuts in light of the need for increased preparedness following Hurricane Katrina. Additionally, the Committee is disappointed with the further separation of preparedness from response. Preparedness must be closely linked to response in order to ensure the successful coordinated response of state and local governments with the federal government.

Emergency Management Preparedness Grants - The Administration has requested $170 million for Emergency Management Preparedness Grants, a decrease of $13 million from the revised enacted level in FY 2006. These grants provide critical resources to States that enable them to effectively develop emergency preparedness plans. The Committee urges the restoration of EMPG to FEMA and their full funding.

FIRE Grants - The Administration has requested $293 million for the Fire Investment and Response Enhancement (FIRE) Grant Program, a decrease of $355 million from the revised enacted level in FY 2006. The purpose of the FIRE grant program is to ensure that local and volunteer fire departments have the ability to conduct training, acquire basic firefighting equipment, and conduct fire prevention activities. The Committee recommends fully funding this program at its authorized level of $950 million. During reauthorization of the FIRE grant program, Congress specifically placed the FIRE grants within FEMA. The Committee is concerned the Administration has ignored this directive.

Homeland Security Grants - The Administration has requested $2.071 billion for discretionary grants, including the State Homeland Security Grant Program (SHSGP, $633 million), Urban Area Security Initiative (UASI, $838 million), and Infrastructure

Protection Grants (IPG, $600 million). The Administration has proposed significant changes to the SHSGP program, including the requirement that 20 percent of funds be reserved for law enforcement activities.

Smithsonian Institution

The Administration's FY 2007 budget request for the construction and revitalization of Smithsonian facilities is $107 million. While this request is a significant increase from the FY 2006 enacted amount ($90.9 million), it remains a significant decrease from FY 2005 ($126 million). Instability to the amount provided for facilities at the Smithsonian Institution poses a serious risk to the continued vitality of the Smithsonian and its ability to carry out its core missions. A reduction in funding has made such projects as restoration of the Arts and Industries building impossible at this time, even though this historic building has serious structural defects that have required its closure. In 2005, GAO reported that the Smithsonian required $2.3 billion over nine years to recover from a backlog of facility needs, an amount unattainable at current budget request levels. Additionally, this lack of funding threatens the Smithsonian's accreditation due to its inability to maintain and update its collection, provide adequate security at its museums, continue to fund research, and provide adequate staffing. The Committee recommends funding the Smithsonian's construction and revitalization program at a level that will allow it to meet its basic needs while continuing its research and outreach activities.

Architect of the Capitol

The Architect of the Capitol's (AOC) FY 2007 budget request is $588.3 million. This is $164.3 million more than the enacted amount for FY 2006, and $238.3 million more than FY 2005. This represents a 23 percent increase in operating expenses ($289 million in FY 2006 and $356 million for FY 2007) and an increase of 72 percent for projects ($135 million in FY 2006 and $232 million for FY 2007). Most of the increase in project funding is for new real property activities for the Library of Congress ($77.8 million), U.S. Capitol Police ($10.2 million), Senate Office Buildings ($55.7 million), and House Office Buildings ($36.4 million); as well as final construction costs for the Capitol Visitor Center ($20.6 million). The Committee is concerned about many of these activities and will pursue an aggressive oversight agenda to determine their necessity.

John F. Kennedy Center for the Performing Arts

The Administration has requested $38.709 million for the John F. Kennedy Center for the Performing Arts (Kennedy Center). These funds are exclusively for the Operations and Maintenance (O&M, $18.909 million) and Capital Repair and Restoration (CR&R, $19.8 million) activities of the Kennedy Center. This level is above the amount enacted in FY 2006 after the rescission ($30.8 million). Operation of the performing arts programming and administrative support for the Kennedy Center is financed by ticket sales, auxiliary and investment income, and through private donations. The Kennedy Center is authorized at a FY 2007 level of $36 million, $18 million each for O&M and

CR&R. Failure to fully fund these activities will result in the delay and increased cost of important cost of important maintenance projects. The Committee supports funding the Kennedy Center at the Administration's request to ensure that the Kennedy Center can continue to maintain its historic building and provide a world class venue for its myriad of programming activities.

Highways, Transit, and Pipelines

Highways

The Administration's FY 2007 Budget requests an obligation limitation of $39.083 billion for the Federal-aid highway program. This funding level provides a $3.5 billion increase over the appropriated FY 2006 obligation limitation of $35.551 billion.

The Administration's requested level of highway obligation limitation is consistent with the funding levels authorized in SAFETEA LU. SAFETEA LU authorized $38.244 billion in obligation limitation for FY 2007. However, since revenue estimates have changed since SAFETEA LU was written, there is a positive Revenue Aligned Budget Authority (RABA) adjustment in the amount of $842 million ($838 million to FHWA and $4 million to FMCSA). The sum of these two figures results in the funding level requested by the Administration.

The Administration's request follows the authorization structure provided in SAFETEA LU with only a few exceptions. The Administration requests $100 million for a pilot program for five states to explore innovative ways for states to finance and manage major parts of their highway system. The Open Roads Financing Pilot Program would be funded as an earmark of highway formula dollars before they are distributed to the states. While the Committee supports the concept of finding innovative mechanisms that can augment existing sources of highway funding, this program was not authorized in SAFETEA LU and would be carried out at the expense of Federal-Aid Highway formula programs. In addition, the Budget proposes to reduce funding for highway programs by $37.8 million in FY 2007 and shift that money to research programs that were under-funded in FY 2005 and 2006.

The Committee is also concerned with the drastic changes in revenue estimates for the Highway Trust Fund contained in the FY 2007 Budget. For example, between the Mid-Session Review released in July of 2005 and the President's Budget released in February of 2006, there is difference in the Highway Account balance of $1.345 billion for FY 2005 and $548 million for FY 2006. In addition, the President's Budget shows a negative balance of $2.3 billion in FY 2009, while the Mid-Session Review released seven months earlier showed a positive balance. When Congress passed SAFETEA LU last summer it was done with the expectation that the guaranteed funding levels prescribed in the bill would be honored for FY 2005 through FY 2009. The Committee continues to expect that the funding levels prescribed in SAFETEA LU will be honored in all years, despite the Administration's revised estimates for the Highway Trust Fund.

Federal Transit Administration

For Federal transit programs, the Administration proposes a FY 2007 budget level of $8.875 billion, a $371 million increase over the appropriated FY 2006 obligation limitation of $8.504 billion (+4.4 percent). The budget request follows the new FTA account structure authorized in SAFETEA LU, with all formula programs and bus and bus facilities funding being provided from the Mass Transit Account of the Highway Trust Fund; and with the Capital Investment Grants, Administrative Expenses, and Research programs funded from the General Fund.

The Administration's requested level of funding for Capital Investment Grants is $100 million less than the guaranteed level authorized in SAFETEA LU. The proposed reduction is taken from the Small Starts program set-aside from Capital Investment Grants. The Small Starts program is authorized under 49 U.S.C. 5309(e) at $200 million a year for each of fiscal years 2007, 2008 and 2009. Although the Administration questions the level of funding needed for the Small Starts program in FY 2007, this does not justify a reduction in the overall funding level needed for the Capital Investment Grants program, which is a highly competitive and oversubscribed program. Under section 251 of the Balanced Budget and Emergency Deficit Control Act, the Federal transit programs are guaranteed a total obligation limitation of $8.975 billion, with $1.712 billion to be derived from the General Fund. The Administration's FTA budget request would decrease both the total obligation limitation and the General Fund share $100 million below the guaranteed levels.

Highway and Motor Carrier Safety

The Administration's FY 2007 Budget proposes to increase funding for the Federal Motor Carrier Safety Administration (FMCSA) $31 million above the FY 2006 appropriated level of $490 million to $521 million in FY 2007, consistent with the authorization in SAFETEA LU. The FY 2007 request consolidates the accounts used in previous years to fund motor carrier safety activities down to two new accounts – Motor Carrier Safety Operations and Programs, and Motor Carrier Safety Grants.

The President's FY 2007 Budget requests $815 million for the National Highway Traffic Safety Administration (NHTSA) from the Highway Trust Fund. This includes $584 million in safety grants, $227 million for operations and research, and $4 million for the National Drivers Register. Contrary to SAFETEA LU, the Administration proposes that NHTSA's vehicle safety research activities ($120 million) be funded from the Highway Trust Fund. Under SAFETEA LU, these programs are funded from the general fund and the Committee opposes this shift. Further, by using Highway Trust Fund dollars to fund more programs than are authorized from the Highway Trust Fund, the Administration threatens the solvency of the Fund.

Transportation Research, Hazardous Materials and Pipeline Transportation

The research, pipeline, and hazardous materials functions of the Department of Transportation were reorganized under the Norman Y. Mineta Research and Special Programs Reorganization Act (P.L. 108-426), and became law on November 30, 2004. The Reorganization Act established a new Research and Innovative Technology Administration (RITA), which coordinates, facilitates, and reviews the Department of Transportation's research programs and activities. The Act also established a new Pipeline and Hazardous Materials Safety Administration (PHMSA), which regulates the safety of liquid and gas pipelines and the transportation of hazardous materials. These two offices had previously been housed within the Research and Special Programs Administration.

The Administration's request for RITA is $8.2 million in FY 2007. However, many agency activities, such as the Bureau of Transportation Statistics (BTS) and the Volpe Transportation Systems Center, do not receive direct agency funding. Instead, the BTS is funded from the Highway Trust Fund as a transfer from the Federal Highway Administration ($27 million), and the Volpe Center is funded by reimbursable contracts.

The President's Budget requests $149 million for the Pipeline and Hazardous Materials Safety Administration for fiscal year 2007, including $76 million for the pipeline safety program and $27 million for the hazardous materials safety program. This request represents a $20 million increase above the funding provided for pipeline and hazardous materials safety activities in FY 2006 due in large part to the $14 million increase in Emergency Preparedness Grants in SAFETEA LU. Furthermore, SAFETEA LU authorized $30 million for hazardous materials safety activities.

In 2002, the Committee reauthorized the national pipeline safety program (the Pipeline Safety Improvement Act of 2002, P.L. 107-355), which continues to finance the program through collection of pipeline safety user fees and appropriations from the Oil Spill Liability Trust Fund. The last year of this authorization is FY 2006 and the Committee anticipates reauthorizing the pipeline safety program before the end of the fiscal year.

Railroads

The Committee expects to reauthorize the Federal Railroad Administration's (FRA) rail safety programs this year, the prior authorization having expired at the end of FY 1998. The President's Budget proposes $151 million in FY 2007 for FRA safety and operations activities, up from $144 million in FY2006. The Committee supports at least the President's requested level.

The President's FY 2007 Budget proposes no funding for the FRA high-speed rail development program (compared to FY 2006 appropriations of $18 million), originally authorized in the Swift Rail Development Act and reauthorized in TEA 21. SAFETEA

LU reauthorized the Swift Rail Development Act funding and increased the annual authorization to $100 million ($70 million for corridor development and $30 million for technology development). The Committee supports this level of funding for the program, and notes that the Administration's proposed reduction would endanger a number of ongoing valuable pilot projects to develop and apply improved safety technology, including positive train control and advanced signal systems. The Committee is particularly concerned by the Administration's proposal to provide no funding in FY 2007 for the National Differential Global Positioning System (NDGPS) program at FRA. Not only is GPS a key element in virtually all new train control and collision avoidance technologies, but a zero funding level would amount to abdicating DOT's role as the lead agency in transportation applications of GPS technology in general.

The President's FY 2007 Budget proposes $34.65 million for FRA research and development programs versus $55.075 million appropriated in FY 2006. The Committee supports at least the current services level based on the FY 2006 enacted amount.

The President's budget proposes to eliminate the Railroad Infrastructure Finance (RRIF) loan program, the principal federal program for addressing shortfalls in rail infrastructure. This proposal is at odds with the tenfold increase in the RRIF program signed into law last year as part of SAFETEA LU. The Committee opposes abolition of the RRIF program.

Surface Transportation Board

For the Surface Transportation Board (STB), the President's FY 2007 Budget proposes $23 million. The Committee supports a current services level of general fund appropriations for the Board in the amount of $25.6 million, as requested by the Board. This amount is needed to fund the current level of agency activities, and higher rental and security costs incurred in connection with the agency's new building.

Amtrak

Finally, for Amtrak, the President's FY 2007 Budget proposes a total of $900 million in grants to Amtrak versus $1.3 billion appropriated in FY 2006.

In FY 2007, $500 million would be allocated for Amtrak capital projects versus $495 million in FY2006. (In FY 2006 an additional $280 million was added to this category to cover Amtrak debt service. In FY 2007, there is no additional allocation for Amtrak debt service.)

In FY 2007, $400 million is proposed for "Efficiency Incentive Grants." This category has been revised since last year to encompass all non-capital expenses, including operating subsidy and debt service. (In FY 2006, "Efficiency Incentive Grants" was funded at $40 million, to be given to Amtrak at the end of the fiscal year to pay for capital items with a quick return on investment.)

Amtrak's annual authorization, at a final level of $955 million, expired at the end of FY 2002. In 2005, the Committee reported H.R. 1630, which would authorize $2 billion annually for Amtrak for three fiscal years. The Committee supports funding at this level.

Water Resources and Environment

Corps of Engineers

The President's Budget includes $4.733 billion for the Civil Works programs of the Corps of Engineers. Including funding through supplemental appropriations for the Flood Control and Coastal Emergencies account, this is 42.5 percent below the enacted level for FY 2006 and continues a trend of low budget requests for the Corps. The Committee supports increases in the Civil Works program to a level of funding sufficient to address the Nation's future needs for navigation, flood damage reduction, and environmental restoration. Our existing aging infrastructure must be modernized and adequately maintained. With a growing backlog of Corps construction and maintenance projects, and given the importance of these water resource projects to the economy, the Committee believes the Corps should be funded at the level that allows it to achieve its full capability, which for FY 2007 would be $5.5 billion.

With trade expanding and highways and railways congested, efficient water navigation must be provided and maintained. The ports and waterways constructed and maintained by the Corps program also assist in the movement of military equipment for overseas deployment. While much has been done to discourage development in floodplains, there are still many areas where floods create tremendous economic and personal hardship.

The vast array of navigation and flood damage reduction infrastructure is important to the nation's economy, and a secure economy is a necessary part of a secure nation. But this infrastructure has suffered from many years of inadequate funding for maintenance and replacement. The capital stock value of Corps water resources infrastructure has been decreasing since the late 1970s. Significant increases in investment for maintenance of existing facilities and the construction of modern ones are urgently needed.

The Corps must conduct new studies to determine where there is federal interest in water resource development, including environmental restoration. The proposed funding in the FY 2007 President's Budget to conduct studies is 52.9 percent below the FY 2006 enacted level (including supplemental appropriations). At the requested level, the continued development of justified projects is severely jeopardized. In addition, the proposed budget places the nation at risk of losing the skills developed by Corps personnel as they plan and design civil works projects. Because the Corps is both a civilian and a military organization, these skills directly benefit the Corps' military mission, as demonstrated by the current deployments of Corps personnel to Iraq and the substantial involvement of Corps districts and laboratories in managing infrastructure improvements in Iraq. The Corps also responds to domestic and international emergencies, such as Hurricane Katrina in August 2005. The Committee supports funding in the General Investigations account that will support the core capabilities of the agency and maintain a steady flow of good investment options that will provide economic benefits and protect and restore the aquatic environment. For FY 2007, the Corps has the capability to conduct $180 million worth of studies.

The President's Budget for project construction is 36.5 percent below the enacted FY 2006 level (including supplemental appropriations). The reduced funding level draws out the construction period for most projects and delays the start of new investments. The Committee is concerned that the requested funding level will increase the cost of completing projects and will delay the national economic and ecosystem restoration benefits that these investments provide. The Committee supports additional funding in the Construction General account that would allow for completing more projects in an efficient manner. In FY 2007, the Corps has the capability to carry out $2.2 billion worth of construction activities.

The Committee remains concerned about the surpluses in the Harbor Maintenance and Inland Waterways Trust Funds. Under the proposed budget, the surplus in the Harbor Maintenance Trust Fund will grow by 32.5 percent to $3.96 billion by the end of FY 2007. The surplus in the Inland Waterways Trust Fund would be reduced, however it would still be $125 million at the end of FY 2007. These funds are supplied by taxes paid by users of ports and waterways and are meant to pay for harbor maintenance and waterways improvements to the nation's water navigation system. For years, more funds have been collected than have been appropriated and large surpluses have accumulated. This problem has not been caused by a lack of meritorious lock and dam construction projects or by a lack of needed port maintenance dredging. To the contrary, the Corps of Engineers has had the capability to execute a far greater amount of work on nationally significant water projects authorized by Congress. The constraint on the performance of this valuable work has been the limited level of funding appropriated from these water funds. The result has been unnecessary cost increases, significantly delayed completion dates, and delays in realizing transportation savings. The Committee supports spending down the surpluses in these trust funds for their authorized purposes.

The President's Budget proposes operation and maintenance funding that is 1.6 percent below the FY 2006 enacted level (including supplemental appropriations). This amount includes substantial costs associated with additional security requirements that will diminish the Corps' ability to do dredging, repairs, and other traditional operation and maintenance activities. With much of the nation's inland navigation infrastructure at or past its design life, the Committee supports funding that is sufficient for addressing the growing backlog of maintenance projects and for constructing authorized improvements. The Committee is concerned that sustained low funding will limit the navigability of our ports and waterways, reduce flood damage reduction benefits and hydropower production, and imperil environmental benefits. For example, unscheduled lock closures have been increasing significantly, shutting down rivers, disrupting the movement of goods, and harming the economy. In FY 2007, the Corps has the capability to conduct $2.3 billion worth of operation and maintenance activities.

The Committee supports full funding for the Florida Everglades restoration projects authorized by WRDA 2000 (P.L. 106-541), but this funding should not come at the expense of other Corps projects and missions. Enacted funding levels for construction of Corps projects should not decrease, notwithstanding any separate funding to support Florida Everglades restoration. The Committee notes that the President's Budget proposes $64 million for the Comprehensive Everglades Restoration Plan (CERP) and $100 million for other Everglades work. Of that non-CERP funding, $35 million is proposed for the Modified Water Delivery Project, a Department of the Interior project to provide additional water flows to the Everglades, authorized under section 104 of the Everglades National Park Protection and Expansion Act of 1989. The Committee notes that the Corps is not authorized to fund that project and opposes funding that project from the budget of the Corps of Engineers. The Committee also is concerned about recent attempts to expand the scope of the Modified Water Delivery Project. The CERP includes an additional project to construct two new bridges and raise existing segments of the Tamiami Trail, thereby providing even greater flows to the Everglades. If the modification to Tamiami Trail is pursued under CERP, the project will be cost-shared between the Corps and Florida on a 50-50 basis. If the modification is pursued under the Modified Water Delivery Project, it would be the responsibility of the Department of the Interior. This question should be resolved within the context of a Water Resources Development Act, and not in the appropriations process.

In the past decade, the Corps program has expanded beyond such traditional areas as flood control and navigation to include environmental restoration and protection and other improvements to water-related infrastructure. The Committee does not support the proposal in the President's Budget to undermine Congressional priorities and cancel 532 on-going authorized construction projects.

Shoreline protection projects that involve placing sand on beaches generally are authorized for an initial construction phase and 50 years of periodic beach renourishment. The President's Budget request would limit cost-sharing for renourishment, notwithstanding the project authorization and project cooperation agreements for these projects that have been signed by the Army and the local sponsor that obligates federal participation in beach renourishment. The Committee supports federal funding consistent with project authorizations and policy as established in Water Resources Development Acts.

The President's Budget proposes to allow the Corps of Engineers to charge new fees at its recreation sites and to make a portion of those fees directly available for use at the facilities where they were collected. The Committee supports the Corps keeping all recreation fees at Corps facilities for maintenance and improvements, consistent with the authority granted to other federal recreation providers, including the National Park Service and the Forest Service. The Committee requests that the Budget Committee include language in the budget resolution to make the appropriate adjustments in budget authority to allow the Corps to retain and use, without appropriation, all the recreation user fees collected at Corps facilities, estimated to be $47 million in FY 2007, following the enactment of authorizing language.

The Committee expects Congress to enact a Water Resources Development Act of 2006. This bill will authorize important projects and programs. The Committee supports appropriations levels for FY 2007 and beyond that will fully meet the purposes authorized by Congress.

Natural Resources Conservation Service

The Committee has jurisdiction over the following programs of the Natural Resources Conservation Service (NRCS): Watershed Surveys and Planning, Watershed Protection and Flood Prevention Operations, and Watershed Rehabilitation. The President's Budget request for these programs for FY 2007 totals $15.3 million, which is 86.3 percent below the FY 2006 enacted amount of $111.517 million (not including the additional $300 million in the Emergency Watershed Protection Program funding provided in FY 2006 to address the aftermath of Hurricanes Dennis, Rita, Wilma, and Katrina). The Committee supports a total funding level at least equal to FY 2006 levels of $111.517 million plus an additional $100 million to address emergency watershed protection measures that normally require that amount. The Committee opposes the proposal in the President's budget to terminate the Watershed Protection and Flood Prevention program of NRCS. This highly cost-effective program provides $1.52 billion in average annual benefits to agricultural and urban communities, including $663.5 million of average annual flood damage reduction benefits. Currently, there is an unmet need of $1.85 billion for existing projects. Canceling this program will waste funds through the payment of contract cancellation fees and will cause NRCS to lose a valuable workforce of watershed specialists.

Environmental Protection Agency

For water infrastructure programs administered by the Environmental Protection Agency (EPA), the Committee recommends levels adequate to address the increasing need for capitalization grants for Clean Water State Revolving Funds and core programs under the Clean Water Act. This will require an increase in the authorization levels and accompanying appropriations. The Committee intends to move water infrastructure legislation with increased authorization levels in this Congress to address these needs.

For FY 2007, the President's Budget request would provide $688 million in capitalization grants for the Clean Water State Revolving Funds, $199 million (23 percent) less than the FY 2006 appropriated level and $42 million less than the amount requested in the President's FY 2006 Budget. The Committee supports significant increases in funding for the Clean Water State Revolving Funds, to help State and local governments meet their wastewater infrastructure needs.

The Committee supports the President's request to fund State water quality programs under Section 106 of the Clean Water Act at $222 million in FY 2007, but is concerned about the proposal to set aside $18.5 million of those funds for probabilistic monitoring. Probabilistic monitoring is important to establish trends in the level of water quality, but does not support management of State water quality programs (including the development of Total Maximum Daily Loads), which is the purpose of funding under Section 106. The Committee encourages the Administration to request additional funding to support this activity. The Committee supports the President's Budget request to fund the Great Lakes Legacy Act (P.L. 107-303) very near its authorized level of $50 million.

The President's request proposes to require EPA to finalize a rule for Clean Water Act Section 106 grants that would incorporate financial incentives for States that implement adequate National Pollutant Discharge Elimination System fee programs. While the Committee supports increasing resources available for water quality programs, the Committee does not support the legislative language proposed in the President's Budget Request to accomplish this objective. This matter should be considered by this Committee under regular order as part of comprehensive legislation to address wastewater funding needs.

The President's Budget recommends authorization and appropriation of $7 million for an EPA watershed program to protect and restore watersheds through competitive grants. It is unclear how this program works with or competes against existing authorities. The Committee does not support the authorization of programs in appropriations bills and recommends that the Administration submit a legislative proposal to this Committee to be considered under regular order. The funding proposed for these grants should be directed to programs authorized to address water quality through grants.

The President's Budget request would decrease funding to the Alaska Native Village Program, from $34.5 million in FY 2006 to $14.9 million in FY 2007. When this program began, 40 percent of rural Alaskan households did not have access to basic water and wastewater infrastructure. Under this program, that number has been reduced by nearly half. EPA made personnel and policy changes in FY 2005 to address program management and oversight issues. The Committee supports maintaining funding for the program at $40 million, the average appropriations level over the past six years. At the funding level proposed in the President's Budget for FY 2007, no new projects could be started to provide community water and wastewater systems where none currently exist, so no progress would be made to address the remaining rural Alaskan homes that do not have access to safe drinking water or adequate wastewater systems.

For the Superfund program administered by the Environmental Protection Agency, the Committee recommends funding at a level commensurate with current program needs and as necessary to maintain the average number of construction completions over the past 10 years. As with the Corps of Engineers Civil Works Program, the Committee recommends funding for the Superfund program at a level that matches its capability, so that no cleanup projects fail to advance due to lack of funding, delaying public health and environmental benefits, as well as economic benefits derived from returning sites to productive use. The President's Budget proposes $1.259 billion for the Superfund program, $20 million below the Administration's FY 2006 request and an increase of $28 million over the FY 2006 enacted level. Of this amount, $774 million is requested for removal and remedial actions. In 2004, the EPA Office of Inspector General identified a funding shortfall of $175 million for cleanups ready to be initiated. The shortfall has not been addressed. The Committee supports increased funding for on-the-ground removal and remedial activities.

The President's Budget proposes $163.2 million for brownfields programs. Of this total, $49.5 million is requested out of the State & Tribal Assistance Grants (STAG) account for grants to States to fund State voluntary cleanup programs, and $89.1 million is requested out of the STAG account to fund grants and loans for brownfield site assessments and cleanup, training, research, technical assistance, and job training. In addition, $24.6 million is requested out of the Environmental Program and Management Account to fund contracts and 121.3 full-time equivalent employees (FTEs).

The Small Business Liability Relief and Brownfields Revitalization Act (P.L. 107-118) authorizes $200 million annually for brownfield site assessments and cleanup. The Committee recommends full funding of this authorization. Moreover, the Act authorizes no funding for increasing the number of EPA FTEs. EPA should not be spending 15.1 percent of its total brownfields funding on FTEs and administrative costs. The Committee is concerned that it takes 121 FTEs to manage a $163.2 million program. Under that level of administrative support, every $1.3 million of the President's Budget proposal for brownfields would get its own FTE. The Committee recommends that the funding proposed to support brownfields FTEs be used instead to support funding of brownfields site assessments and cleanup.

Tennessee Valley Authority

Since FY 2001, 100 percent of the Tennessee Valley Authority's (TVA's) power and non-power programs have been funded through its power revenues and TVA has received no appropriated funds. For FY 2007, however, the President's Budget request includes a provision that proposes to appropriate $15 million from the Tennessee Valley Authority Fund for TVA's Inspector General. Under the TVA Act, the TVA Board may choose to deposit some power revenues into the U.S. Treasury, but absent Congressional action, TVA's revenues are not available for appropriation. Accordingly, the proposal to appropriate part of TVA's revenues is contrary to the TVA Act. The Committee opposes this provision because it establishes a precedent that could lead to the appropriation of all of TVA's power revenues, which is inconsistent with TVA's status as a governmental corporation. If the Administration wants a limited portion of TVA's revenues to be placed into the General Fund of the Treasury and be available for appropriation for the sole purpose of supporting the TVA Inspector General, the Administration should submit a legislative proposal to the Committee seeking this authority.

The President's Budget request also includes an additional legislative proposal relating to TVA: Requiring TVA to change its treatment of certain financing arrangements. TVA currently reports both its statutory debt and other financial obligations, and the aggregate of both remain below TVA statutory debt limit. Any amendment to the TVA Act to change what is considered statutory debt does not belong in an appropriations bill and must be considered by this Committee under regular order.

Saint Lawrence Seaway Development Corporation

The Saint Lawrence Seaway Development Corporation is a wholly-owned government enterprise created in 1954 to construct, operate, and develop jointly with Canada a seaway between Montreal and Lake Erie. Funding for operation and maintenance of Seaway facilities is appropriated from the Harbor Maintenance Trust Fund, which derives its revenue from a 0.125 percent tax on the value of cargo loaded or unloaded at U.S. ports, as well as from tolls collected on the Saint Lawrence Seaway. The President's Budget proposes to change the way Seaway operation and maintenance are funded by creating new mandatory charges for using the Saint Lawrence Seaway. The President's Budget request would fund only half of Saint Lawrence Seaway operation and maintenance costs from the Harbor Maintenance Trust Fund ($8 million), and fund the other half from new fees, the receipts of which would be returned to the Treasury and deposited in a special fund account and made available as provided in annual appropriations bills. The Committee opposes the imposition of new fees on users of the Saint Lawrence Seaway.